

TEACHERS' RETIREMENT BOARD  
BUDGETS AND AUDITS COMMITTEE

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SUBJECT: Quarterly Audit Status Report

ITEM NUMBER:   9  

ATTACHMENT(S):   3  

ACTION:           

DATE OF MEETING: July 11, 2002

INFORMATION:   X  

PRESENTER(S): Way Lee

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The following is our quarterly report on the status of the Office of Audits' FY 2001-02 school district audits; compliance case reviews; and internal audits, including special projects, as of June 20, 2002 or as otherwise indicated.

**SCHOOL DISTRICT AUDITS:**

During this past Quarter, the School District Audit Section issued final reports of Fresno USD, Oakdale Joint USD, and Vacaville USD.

**School District Audits/Projects  
Fourth Quarter (03/20/02 – 06/20/02)**

Fieldwork in progress	
Drafting report/review	2
Draft Issued/Completing final report	
Awaiting management's response	2
Final S/D audit reports and special report issued this Quarter	3
<b>Total Audits -4<sup>th</sup> Quarter</b>	<b><u>7</u></b>
Final S/D reports issued during this fiscal year	<b><u>13</u></b>

**COMPLIANCE CASE REVIEWS:**

During the period of March 20, 2002, through June 20, 2002, the Compliance Unit staff started 26 and completed 6 compliance cases. The table below is a summary of the status of compliance cases for this period and the fiscal year. This data is supported by Attachment 2, which provides details of the cases.

**Compliance Cases**  
**Fiscal Year 2001/02 Fourth Quarter (03/20/02 through 06/20/02)**

Cases from a prior period	11
Cases started during this period	26
Less final reports issued this period	(6)
Less referrals to school district audits – final audit report issued	(5)
<b>Total Cases in Progress at the End of the Period:</b>	<b><u>26</u></b>
<b>Final Reports issued during the fiscal year</b>	<b><u>16</u></b>

**INTERNAL AUDITS:**

During the fourth quarter of FY 2001-02 (from 3/20/02 to 6/26/02), internal audit staff started and completed three new projects and also completed two other projects that were in process at the beginning of the fourth quarter. Staff began preliminary work on the annual FYE financial audit coordination project that will be performed during FY 2002/03 and also continued to work on other projects that were in process at the beginning of the period. Details of these projects are included within the Internal Audits FY 2001-02 Status Report at Attachment 3.

The following table provides a summary of the status of internal audits and special or other projects worked on during the period covered by this report:

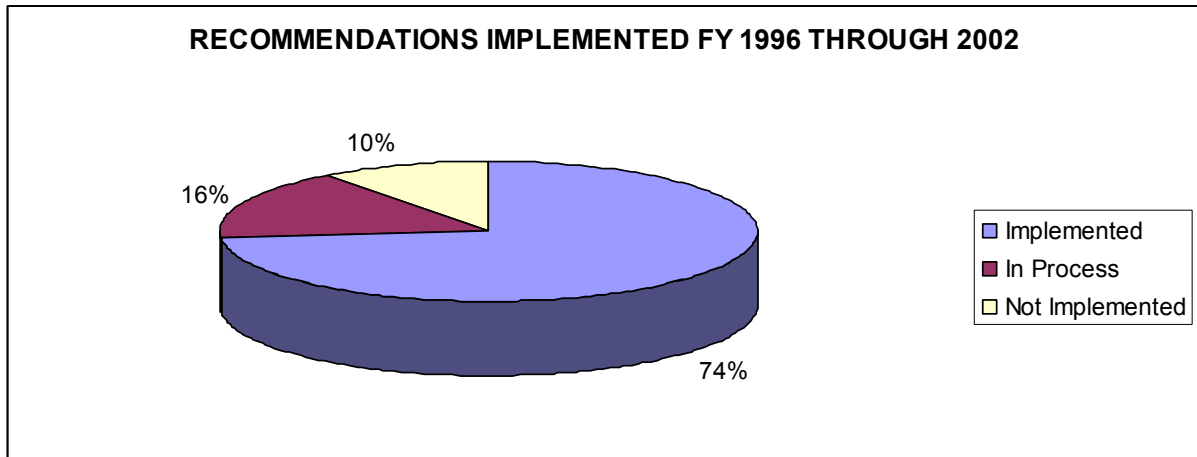
**Internal Audits/Projects**  
**FY 2001/02 Fourth Quarter (3/20/02 - 6/26/02)**

Fieldwork in process or project ongoing (as of 6/26/02)	2
In review/Drafting report	2
Preliminary work in process for FYE Audit Coordination	1
Final report/memo issued or project complete	<u>5</u>
<b>Total Audits/Projects worked on during quarter:</b>	<b>10</b>

### Internal Audits Performance Measures

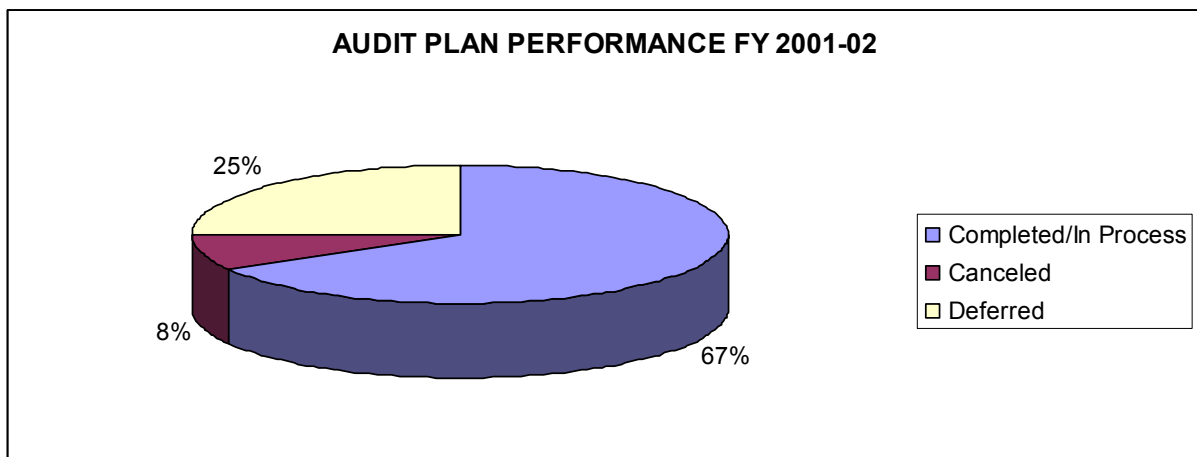
#### **Performance Measure – Audit Recommendations**

Office of Audits' recommendations for improvement	49
Number of recommendations implemented	36
Number of recommendations in process	8
Number of recommendations not implemented	5



#### **Performance Measure - Audit Plan Implementation**

Office of Audits' planned audit projects for FY 2001-02	19
Plus: Additional audit projects requested by TRB/Management	5
Total number of audit projects planned or requested	24
Less: Audit projects canceled	2
Less: Audit projects deferred to FY 2002-03	6
Number of audit projects completed during FY 2001-02	12
Audits in process as of 6/20/02	4



**OFFICE OF AUDITS**  
**SCHOOL DISTRICT AUDITS/SPECIAL PROJECTS: FYTD STATUS REPORT**  
**As of June 20, 2002**

<b>Audit</b>	<b>Month Started</b>	<b>Target for Final Report</b>	<b>Status of Audit</b>	<b>Date of Final Report</b>
Hayward Unified – Defined Benefit	3/00	06/01	Final Report Issued	09/24/01
San Francisco Unified – Defined Benefit	9/00	05/01	Final Report Issued	07/26/01
Yuba Community College District – Cash Balance	11/00	09/01	Final Report Issued	12/03/01
Oakland Unified – Defined Benefit	2/01	12/01	Final Report Issued	01/03/02
West Contra Costa Unified – Cash Balance	2/01	09/01	Final Report Issued	09/25/01
West Contra Costa Unified – Defined Benefit	2/01	09/01	Final Report Issued	11/01/01
Oakdale Joint Unified – Defined Benefit	04/01	02/02	Final Report Issued	04/30/02

<b>Audit</b>	<b>Month Started</b>	<b>Target for Completion</b>	<b>Status of Project</b>	<b>Date of Final Report</b>
Modesto City Unified - Defined Benefit	05/01	03/02	Final Report Issued	03/07/02
Santa Cruz County Office of Education - ROP	05/01	11/01	Final Report Issued	12/06/01
Los Angeles Unified – Defined Benefit Survey	05/01	03/02	Final Report Issued	03/21/02
Lodi Unified School District – Defined Benefit Program	07/01	02/02	Final Report Issued	03/21/02
Vacaville Unified School District – Defined Benefit Prtogram	10/01	04/02	Final Report Issued	04/30/02
Stanislaus Union School District – Defined Benefit Program	10/01	08/02	Awaiting for Additional Information From the School District	
Fresno Unified School District – Defined Benefit Program	11/01	05/02	Final Report Issued	04/19/02
Salinas City Elementary School District – Defined Benefit Program	12/01	07/02	Draft Report Submitted to the CalSTRS’ Audit Report Review Committee	
Farmersville Unified School District – Defined Benefit Program	04/02	10/02	Draft Report Being Reviewed by the Audit Supervisor	

<b>Special Project</b>	<b>Month Started</b>	<b>Target for Final Report</b>	<b>Status of Audit</b>	<b>Date of Final Report</b>
Preliminary Survey of Service Retirement/Exception Lines	03/02	08/02	Pre-Draft Report Being Reviewed by SR and Membership Managers	

**OFFICE OF AUDITS  
 COMPLIANCE CASES: STATUS REPORT  
 July 1, 2000 Through June 20, 2002**

<b>Cases in Progress as of July 1, 2001: (0)</b>
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	<b>Cases in Progress as of June 20, 2002 (26):</b>
<b>Number</b>	<b>Assignments</b>
C-2338 - C-2341	Earlimart USD
C-2342 - C-2347	Fairfield Suisun USD
C-2348 - C-2352	Tulare Joint Union High SD
C-2353 - C-2357	Porterville USD
C-2358 - C-2363	Sonoma County Office of Education

	<b>Final Reports Issued and Audit Referrals From June 21, 2000 - June 20, 2002 (16):</b>	
<b>Number</b>	<b>Assignments</b>	<b>Status</b>
C-2322 - C-2326	Lodi USD	Referred to District Audits 08/01 because an issue found during the compliance review applied to several other CalSTRS members employed by the District.
C-2327 - C-2332	Kings Canyon Joint USD	“Final” compliance letter to be issued on June 26, 2002
C-2333 - C-2337	Sanger USD	Compliance Letter issued on September 26, 2001. There were no findings.

**OFFICE OF AUDITS**  
**INTERNAL AUDITS: FY 2001-02 STATUS REPORT**  
**FYTD as of June 26, 2002**

**AUDIT PROJECTS**

<b>Audit</b>	<b>Month Started</b>	<b>Target for Final Report</b>	<b>Status of Audit</b>	<b>Date of Final OOA Report</b>
Soft Dollar Program	8/00	Complete	Final Report issued to management 6/26/02. Report to Board 7/11/02.	6/26/02
Real Estate – Preliminary Review of Internal Controls	2/01	Complete	Final Report issued to management 3/19/02. Report to Board 4/4/02.	3/19/02
Internal Equities – Preliminary Review of Internal Controls	3/01	Complete	Final Report issued to management 3/19/02. Report to Board 4/4/02.	3/19/02
SAM 20000 Review of Admin/Acctng Controls for various cycles & subcycles within Admin. Branch:	3/01	7/02	<b><i>Work complete and in review</i></b> <ul style="list-style-type: none"> <li>• Cash Disbursements</li> <li>• Cash Receipts</li> <li>• Contracts</li> <li>• Fin. Reporting</li> <li>• Personnel/Payroll</li> <li>• Purchasing</li> <li>• Receivables</li> <li>• Revolving Fund</li> </ul> <b><i>Drafting Report</i></b> <ul style="list-style-type: none"> <li>• Fixed Assets</li> </ul> <b><i>Draft Issued:</i></b> <ul style="list-style-type: none"> <li>• EDP Controls</li> <li>• Budget</li> </ul>	
SAM 20000 Review of Admin/Acctng Controls for various cycles & subcycles within Acctng. Div, I&FS Br. & CB &S Br.	5/01	7/02	<b><i>Fieldwork in progress.</i></b> <ul style="list-style-type: none"> <li>• Receivables</li> </ul> <b><i>Work complete and in review</i></b> <ul style="list-style-type: none"> <li>• Cash Disbursements</li> <li>• EDP Controls</li> <li>• Revolving Fund</li> <li>• Financial Reporting</li> </ul> <b><i>Note: Cash Receipts Audit Cycle rolled over to FY 02/03 Audit Plan</i></b>	
Procurement & Contracting Activities	1/02	7/02	Fieldwork complete and in review.	



### **SPECIAL/OTHER PROJECTS**

<b>Special Project</b>	<b>Month Started</b>	<b>Target for Completion</b>	<b>Status of Project</b>	<b>Date of Final OOA Report</b>
Audit Leverage Software Implementation	FY 01/02	Complete	Implemented paperless workpaper module.	N/A
CPA coordination: FY -00/01 Fin. Stmts.	2/01	Complete	CPA's annual financial and management reports were issued 9/21/01.	N/A
Internal Audits Follow-Up, Qtr. 1-FY 01/02	9/01	Complete	Report to Board on 10/11/01.	9/20/01
START Post-Implementation Review (PIER)	N/A	Deferred (see PIER & R/A Plan below)	Some PIER objectives planned will be included within System PIER & Risk Assessment Project in FY 02/03	N/A
START PIER & Risk Assessment Plan	5/02	Complete	Plan developed and submitted to Audit Chief for review in June 2002.	N/A
Internal Audits Follow-Up, Qtr. 2/3-FY 01/02	3/02	Complete	Report to Board on 4/4/02.	3/15/02
Defined Benefit Supplement (DBS) Project Team	3/02	Ongoing	OOA's participation on DBS Project Team has been limited during FY 2001/02 but will increase during FY 2002/03.	
CPA coordination: FY -01/02 Fin. Stmts.	5/02 (for FY 02/03 Audit Plan)	9/02	Coordination planning work in process.	N/A
Internal Audits Follow-Up, Qtr. 4-FY 01/02	6/02	Complete	Report to Board on 7/11/02.	6/13/02
<b><u>Technical Assistance:</u></b>				(memo)
• CB&S Br-Recon. Item	2/01	Complete	CB&S staff & OOA issued memo to management.	10/01
• Inv/Br-ETD Team	3/01	Complete	Inv. Br. issued memo to management.	10/01
• ISO Automation	7/01	Closed	Team terminated upon ISO's departure.	n/a
• Admin. Br.-Bus. Services	1/02	Complete	OOA issued memo to management.	1/02
• BCP Charter	4/02	Complete	Review notes provided to ISO staff	5/02